



Using Value Proposition Design and Lean Method to Reduce Risks of Start- ing a Business

Case: Cuban Art Gallery

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ABSTRACT

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The objective of this thesis was to create modern dynamic version of business plan to help create products or services with lower risks. The aim of the thesis was to create a successful starting point for a Cuban art gallery by using latest knowledge in business model design to reduce uncertainties. The basic idea was to use Value Proposition Design to design the service around validated customer needs.

This thesis includes quantitative researches that were made about customers and their responses to value propositions. First quantitative research was made as an online survey that had 16 respondents. The second test was a quantitative market research where Google AdWords and Google Analytics were used to analyze customer behavior in online gallery made for this project.

According to the online survey 44% of the respondents were willing to invest up to 300 euros for art works. Moreover, 56% wants to have more colorfulness at their homes while 73% are interested in the story behind artist or artwork, both which are included in the value proposition of the Cuban art gallery. The second market research showed that using *decorative paintings* and *Cuban* together as keywords had the highest interest, but clear intent for purchasing sample paintings with proposed prices were not found.

However, the end results validated some of the most important hypotheses about customers and showed promising signals for starting a Cuban gallery. As the second research showed immature market demand for specified niche like Cuban art itself, it was proposed to found an online gallery first, and to try to promote paintings more as an original home decorative paintings.

Key words: business development, value proposition, lean, art gallery

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ABBREVIATIONS AND TERMS

TAMK	Tampere University of Applied Sciences
IT	Information Technology
BMC	Business Model Canvas
VPC	Value Proposition Canvas
SC	Strategy Canvas (Blue Ocean Model)
VPD	Value Proposition Design
Value Proposition	Promise of value to be delivered
CTA	Call To Action
CTR	Click Through Rate. Number of times clicked vs viewed.

1 INTRODUCTION

1.1 Background of the thesis

The first step for any business idea used to be to write a static business plan. While they might be great in an environment of certainty, that is hardly ever the case for a new venture. Even today this old format is required by many stakeholders and without a business plan it might be difficult to get loans or investors.

However, new models that are more dynamic and fit to modern fast phased society are emerging and getting more and more support. In the 21st century number of new business books has been published combining the new ideologies of how business models should be designed.

1.2 The commissioner

Technodrome Ltd has been founded 2011 and has had main focus on website development and hosting services in Finland. They have also created custom IT systems like tailored e-commerce solutions and auction sites and have experience in online marketing.

Technodrome Ltd has been lately expressed interest to expand to completely new fields of business. This thesis was done to create a suitable business model for their business idea and to validate the market demand for it.

1.3 The problem

The problem with all new business ventures is *how to reduce the risks and increase the chances of success*. According to the Official Statistics of Finland, in 2014 there were 355 630 companies in Finland. 30 849 companies were closed during 2014. It means that 8,1% or every 11th business was closed in a year. From all the closed enterprises, 18.8% were in trade (OSF. 2015). This thesis presents a way of minimizing the risks of creating a business without a market demand by validating our business hypotheses along the way.

1.4 Methodology

The methodology of this thesis can be divided in two parts, theoretical research and practical research. Theoretical research includes combining findings from publications introduced in the theoretical framework section. Several modern business books were analysed to find common ideas to combine them together for an unifying theory. The practical research part contains two different researches. First one is a quantitative research implemented with Likert Scale as an online survey to gather information about the customer segment. The second was also quantitative research but made using different online tools as Google AdWords and Google Analytics.

1.5 Structure of the thesis

The first chapter explains the theoretical framework of this thesis such as, the main research materials used to create the new dynamic business model. This section also justifies the selection of these specific methods.

Second section will cover the starting point of the business idea; the idea itself, goals, guidelines and limits set to the project.

Third section will concentrate describing the process of the new dynamic business model by applying the knowledge that was been introduced to the project at hand. This chapter will follow through the principles of VPD and Lean Method to try to get to a point where the business idea can be advanced to a profitable business model without taking significant risks.

The last chapter will conclude the findings of the project; how well the principles of VPD were followed, how well the project succeeded and difference between normal business planning strategies.

2 FRAMEWORK - VPD AND LEAN METHOD

First of all, to justify the proposed use of new method for making a business plan let us discuss about what is outdated about the classic way. The classic Business Plan that is widely taught at business schools and entrepreneurial courses is too static and based on hypotheses that do not have any grounds yet. Creating a service or product around the idea and then making calculations of sales and market size is usually based on research and assumptions. This process leads to building a product or service and refining it until it is ready for launch to occasionally end up failing miserably (Osterwalder and Co 2014, Prologue VI - VII).

To eliminate failing big, we must fail fast and small. This is the reason for choosing VPD and Lean method for generating new kind of business plans.

2.1 The Lean Concept

The history of lean starts as early as 1799 when Eli Whitney promised to deliver 10 000 muskets to the U.S. Army for an unthinkable low price of 13.40\$. His development of interchangeable parts was the first step to the lean concept. Over 100 years later Henry Ford created what is generally considered the first Lean Manufacturing assembly line. However, it was Toyota Motors that really created the world wide recognition for lean, even though they initially copied the process from Ford practises. In Toyota Production System they understood that factory workers could exceed their role as a muscle with insights to the manufacturing process while Henry Ford was infamous for his attitude towards low labour force. In 1990 a book called “The machine that changed the world” by James Womack introduced the term Lean Manufacturing to the world and since then it has been widely applied. (A Brief History of Lean 2007.)

The next industry to apply this concept was applied was Software development, where the short iterative advancement showed to reduce the risks greatly of long failed projects. The term Lean software development was first introduced by Mary and Tom Poppendieck in 2003 in a book with the same name, where the same concepts of lean principles were used. (Poppendieck 2003.)

From manufacturing process to software development guidelines the lean concept was simplified and unified into a common theory for business ideas and models by Eric Ries in his book *The Lean Startup* published 2011.

The Lean Startup

The basic idea of Lean Startup can be described easily with following figure.

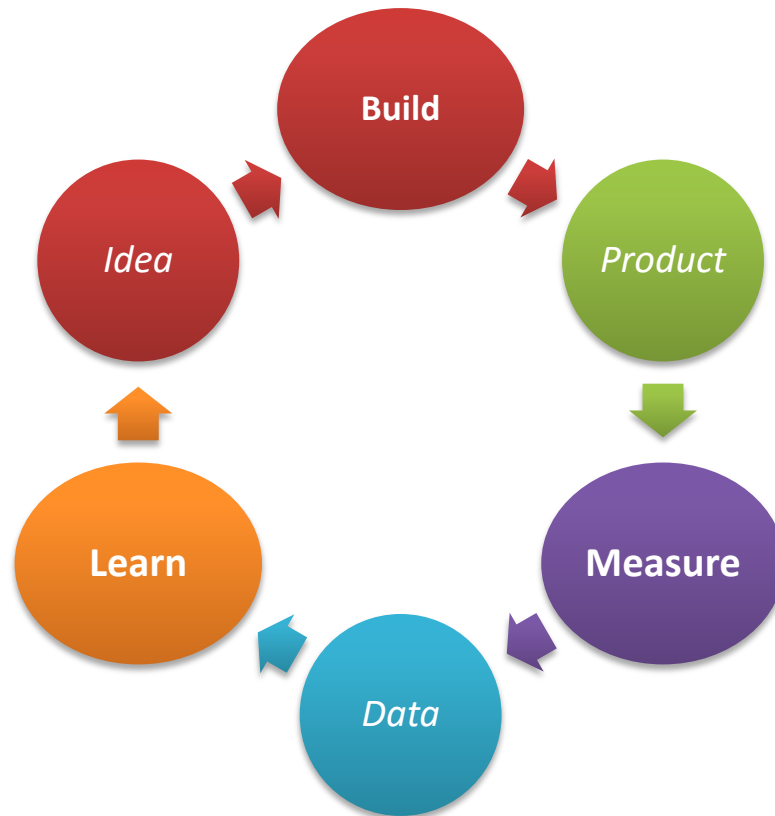


Figure 1. BUILD-MEASURE-LEARN feedback loop. (Ries 2011,75)

The aim of the concept is to minimize the time going through the loop and this way to learn as fast as possible. This basic idea is also in the very core of Value Proposition Design and links these two books well together.

2.2 Value Proposition Design

Value Proposition Design is a book by Osterwalder, Pigneur, Bernada and Smith published 2014 as a sequel to *Business Model Generation* (2010). In this book Osterwalder and co. explains a new method for creating products that customers really want. According to the authors, VPD model works for both new ventures and established organizations. Using the knowledge and the tools provided one is supposed to invent and improve value propositions. (Osterwalder and Co, 2014, 20)

Basic philosophy behind VPD is to relentlessly test every hypothesis along the way, from product feature ideas to customer needs. By validating all the ideas during the non-linear process of value creation, products and services that have a true demand from customers can really be built. (Osterwalder and Co 2014, Prologue IX)

There are couple different starting points for the process; from the customer, from the product/service or from the business model.

This thesis will go through the process starting from the product idea, then testing if it fits with customer pains, gains and jobs. After finding a Problem-Solution Fit, it will move on to try to validate the hypothesis to find Product-Market Fit. The last step is to find profitable and scalable business model with Business Model Canvas as seen in the figure below (2014, 48-49).

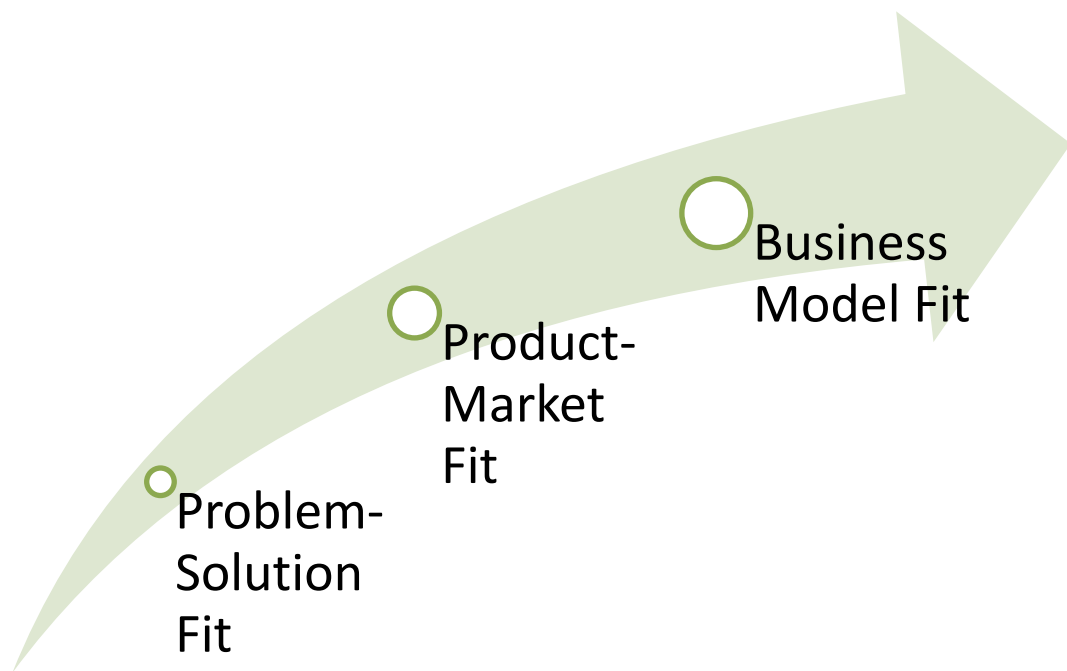


Figure 2. The 3 types of fit. (2014, 48)

2.3 Value Proposition Canvas

In the first step of the will use Value Proposition Canvas or VPC as a tool to see if we can find fit with our business idea and customer. Below one can see the model of VPC. Bigger version can be found in the end in Appendix 1.

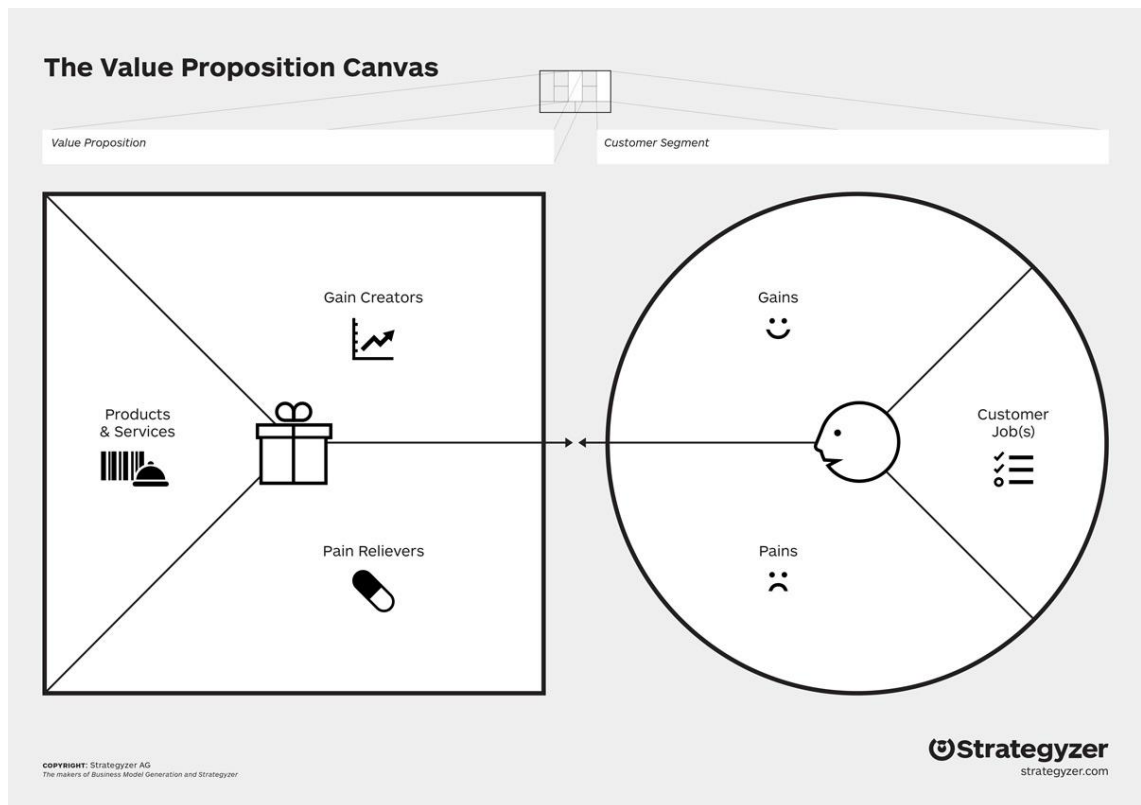


Image 1. The Value Proposition Canvas. (2014)

The Value Proposition Canvas has two sides, one to identify customer pains, gains and jobs (Customer Profile) and one to show how to create value for the customer with your product or service (Value Map). This very customer oriented approach aims to create a Problem-Solution Fit based on needs and wants of the consumer. (Osterwalder and Co 2014, 2)

2.3.1 Customer Profile

Customer Profile is divided in three parts; Pains, gains and jobs. Pains are meant for finding out what problems and obstacles customer has while trying to manage their jobs. By jobs, the author means the daily tasks done by the customer in their work and leisure time. Gains are to identify the needs and wants they desire to achieve. This approach differs from common profiling, where customers are analysed based on socioeconomic features. The goal is to try to really understand your customer and what drives them (2014, 12-16, 54-55).

There can be more than one customer segment and it is preferable to do multiple customer profiles for different kind of target groups to find out what segment you can reach the best or to find new ideas for value propositions (2014, 56).

2.3.2 Value Map

Value Map is also divided in three parts; Products/Services, pain relievers and gain creators. Products/Services part is for listing your offerings to customers that would help with their *emotional, functional or social jobs*, or other basic needs. Pain relievers and Gain creators are to show how customer needs and problems have been addressed with product design. There can also be multiple versions of Value Maps to address the same customer profile with different products/services (2014, 29).

All pains, gains, pain relievers and gain creators are to be organized in a manner where the most important and relevant can be shown easily. To achieve problem-solution fit one does not need to address all the pain and gains of customer, but concentrate on the most important ones (2014, 42-45).

2.4 Business Model Canvas

The idea of Business Model Canvas was introduced 2010 in a book Business Model Generation by Osterwalder Alex & Yves Pigner. The book was co-created with 470 professional around the world to make a handbook of new business models to create competitive advantage for modern businesses.

The Business Model Canvas is a strategic management template for developing new business models. It consists of nine building blocks arranged in a canvas format:

- Key Partners** (Icon: Link)
- Key Activities** (Icon: Checkmark)
- Key Resources** (Icon: Factory)
- Value Propositions** (Icon: Gift)
- Customer Relationships** (Icon: Heart)
- Channels** (Icon: Truck)
- Customer Segments** (Icon: Target)
- Cost Structure** (Icon: Hand holding coin)
- Revenue Streams** (Icon: Dollar sign)

The canvas is divided into three main sections: Key Partners, Key Activities, and Key Resources on the left; Value Propositions, Customer Relationships, and Channels in the center; and Customer Segments, Cost Structure, and Revenue Streams on the right. The bottom section is divided into Cost Structure and Revenue Streams.

At the top right, there are fields for: Designed for:, Designed by:, Date:, and Version:.

At the bottom left, there is a Creative Commons Attribution-ShareAlike 3.0 license notice. At the bottom right, the Strategyzer logo and website (strategyzer.com) are displayed.

Image 2. The Business Model Canvas. (2010)

The idea of BMC is to split the business model in nine easy to understand visual elements to describe the whole idea from value proposition to key partners. Using only keywords this canvas lets you easily test different ideas how they would work and fit with the big picture. Bigger version of the BMC can be found in Appendix 2.

The infrastructure

2.4.1 Key Partners

Key partners are to include all the relevant companies that you need to be able to run the operations (like suppliers).

2.4.2 Key Activities

What function are the most important to your business model. E.g. production, logistics or customer service.

2.4.3 Key Resources

What kind of physical, financial or intellectual resources are needed to deliver your value proposition.

The Finances

2.4.4 Cost Structure

Segment for the most necessary fixed and variable costs to build the business and whether your business is value or cost driven.

2.4.5 Revenue Stream

The Author list following categories for generating revenues (2010):

- Asset sale – selling physical goods
- Usage Fee – selling the usage of a service
- Subscription Fee – selling continuous service
- Lending/Leasing/Renting – selling exclusive rights for a period of time
- Licensing – selling use of intellectual rights
- Brokerage Fee – selling intermediate service for commission
- Advertising – selling product advertising

The Offering

2.4.6 Value Proposition

Value proposition is defined earlier in this thesis and is along with customer segment what the sequel Value Proposition Design was meant to discuss further.

The Customer

2.4.7 Customer Relationship

What kind of relationship the company wants to have with customer. The author has provided with following examples (2010):

- Personal Assistance – normal CS during or after sales
- Dedicated Personal Assistance – More in-depth service
- Self Service – company provides only tools
- Automated Service – like Self Service but can be more personalized
- Communities – community for sharing and solving problems
- Co-creation – customer can have an input to the end product

2.4.8 Customer Segment

According to the author, customer segments can include:

- Mass Market – selecting general target group
- Niche Market – selecting specialized target group based on needs
- Segmented – selecting a segment from existing target group
- Diversify – selecting multiple target groups
- Multi-Sided Market – selecting dependent target groups (like sellers and buyers)

Selecting Customer Segment and then doing Customer Profiling is major part of Value Proposition Design.

2.4.9 Channels

What kind on channels you use to reach your target group. It can be wither own channels or partner channels.

2.5 The Business Model Environment

The most widely adopted method for analyzing industry's competitiveness and finding strategic constraints is Michael Porter's 5 Forces originally published in 1976 and updated in 2008 (King 2009). Even though it still is taught at most universities part of the basic business studies it has become outdated and more modern version for business environment analysis is available. There is also support for this opinion.

According to Nilofer Merchant, author of article "Why Porter's model no longer works" that was published 2012 at Harvard Business Review, we are currently living in a social era that requires companies to be fast, fluid and flexible. She goes on further to explain that while bigger companies used to make high barriers to entry the markets nowadays this advantage does not exist the same way. The author combines Porter's Value Chain framework with 5 forces and explains that they are both old fashioned for modern times. She is not denying that there is no room for them in a direct mass market low cost driven business but she believes the future is for those who can agilely differentiate themselves constantly and move to more profitable markets.

For this reason Business Model Environment was used that combines Porter's 5 Forces with SWOT analysis.

BME sets the strategic environment outside Business Model Canvas in four different categories which I will explain below. (Osterwalder & co. 2010, 200)

2.5.1 Key Trends

In key trends one is to analyze all the technological, societal, cultural or regulatory trends in the markets that could provide opportunities or threats.

2.5.2 Market Forces

Market forces analysis includes finding different customer segments, outlining market needs and demands, describing switching costs to see how binding our product is and finding segments with largest margins.

2.5.3 Macro-Economic Forces

Analyzing Macro-Economic forces should bring one understanding of current global market conditions, how easy it is to find capital investments and funding, price trends of commodities related to your business and describe the public economic infrastructure.

2.5.4 Industry Forces

Industry forces are dominant competitors and new entrants that have or could have major effect on one's strategy. Also substitute products and services and well as suppliers can be analyzed to partly help finding Customer Segments and to refine our Value Propositions.

By making the following environmental analysis, there can be found opportunities and threats that would require adjusting the business model accordingly. Deeper analysis of Industry Forces and competitors with Strategic Canvas tool will help to see the strengths and weaknesses of the business idea, and if it is needed to modify the core Value Propositions.

2.6 Strategic Canvas

Presented in the book "Blue Ocean Strategy: How To Create Uncontested Market Space And Make The Competition Irrelevant" Renée Mauborgne and W. Chan Kim (2005) introduced the idea of focusing most efforts in finding uncontested market spaces rather than trying to win a competition in the current market conditions. Simplified the idea is about increasing value and reducing costs as main drivers for business. They created a visual tool to help map those opportunities. Strategic Canvas helps companies implement this Blue Ocean Strategy.

In short the tool involves you to map your Value Propositions to X-axel and rate them in the Y-axel. For example Value Propositions could be low price and quality of service, and then you would go on to analyze your company and competitors on the Y-axel to see if you have a competitive advantage (Mauborgne & Kim 2005).

This tool will be used as our competitive advantage analysis of the business case.

2.7 The process of Value Proposition Design

The process of Value Proposition Design is nonlinear as it can be seen from the illustration below.

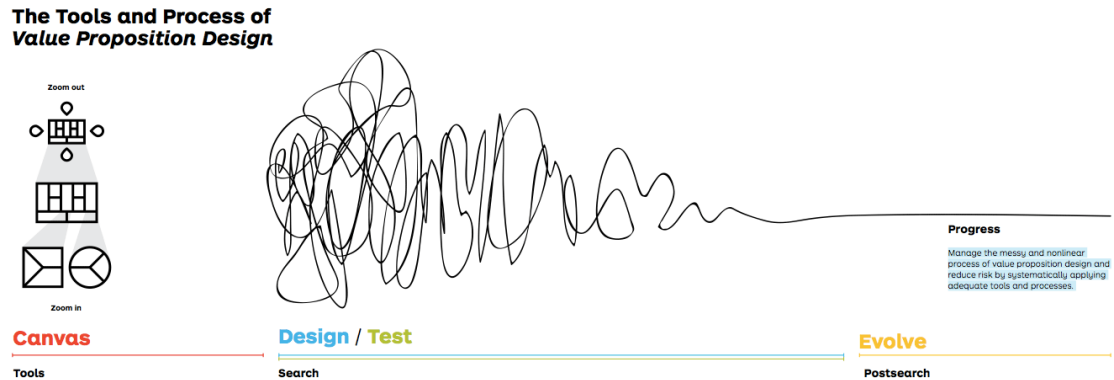


Figure 3. The Tools and Process of Value Proposition Design. (Osterwalder & co 2014)

To build our business using the canvasses we need to first fill them with our ideas. Osterwalder and co. provides us with tools to help ignite the guide the process. The second most important thing is to have great Value Proposition, which the author describes as;

- difficult to copy
- better than competitors in at least one critical factor
- targeting few unsatisfied jobs, pains and gains that
 - are valuable and important to customers
 - people are willing to pay
 - address customer also emotionally and socially

Even though the process does not have to start with customer it still needs to end addressing the jobs, pains and gains that customer really care about (2010, 88). All the Value Propositions are useless if customers are not interested in those. Checking if we have problem-solution fit by validating our assumptions of customer needs is the most important part; if there is no demand, there is no market for the product (or service). In this thesis there were used several different approaches on researching about customers.

2.8 Testing hypotheses

After creating the value proposition, customer profile and business model using the canvasses it is time to extract the most critical hypotheses out of there. We need to find out what is the most important assumptions we have made that are critical for the suc-

cess of the company and design tests to see if they are true in real life. In this section we will go deeper in how to select and design appropriate tests and how to select proper hypotheses.

Now that you have created a problem-solution fit where your product is supposed to meet with the needs of customer is time to test our hypothesis. Where normally companies might start long product development creating a refined product to the market, VPD approach starts testing and prototyping the core ideas to see if they really are valid thus reducing the risk of failing big.

3 THE IDEA

Regarding the process of Value Proposition Design only the main business idea will be introduced as a starting point in order to use the tools from theoretical framework section to develop it further.

3.1 The Business Idea

The idea is to start a Cuban art gallery in Tampere. The focus will be on original paintings made in Cuba imported to Finland. The collection will contain works from low to medium price category and will have the central theme of colourful Latin American life. The aim is not to compete directly with current art galleries. Using Strategic Canvas will help to analyse and determine the competitive advantages of the new gallery. There are already a collection of 10 sample paintings that were acquired from Cuba from local artists. These paintings will be used as part of the research.

3.2 The industry

Art gallery is defined as a place where art objects such as paintings, sculptures and modern art are presented and/or sold. Average gallery's showroom is open for 3 – 4 weeks per artist or theme (Wikipedia: Contemporary art gallery, 2015).

There are 169 art galleries in Finland according to Fonecta.fi company research tool and 11 inside Tampere region (www.fonecta.fi, 2015).

According to Galleristit ry, significant part of the art sales is already happening through the web sites of the galleries' (www.galleriat.info, 2015). With this in mind, it is curious that so many websites of the galleries seem out-of-date and not very optimal for selling art online.

4 IMPLEMENTATION

In this section the tools introduced in the Theoretical Framework section will be used to implement them in a real life case. The structure of the implementation process is shown in the figure below.

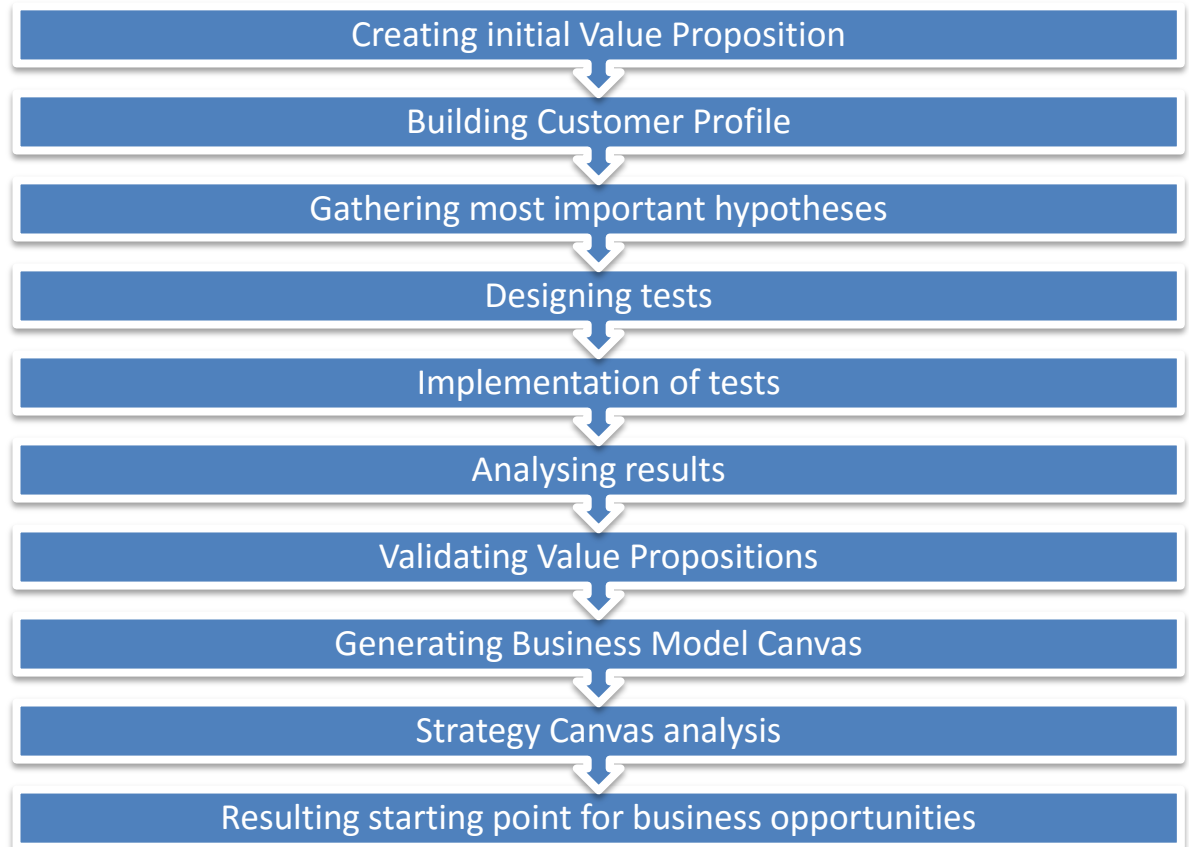


Figure 4. Process description of implementation.

4.1 Creating initial Value Proposition

The main idea is to start a Cuban art gallery in Tampere. This is the starting point for Value Proposition Canvas. The product/services section will be filled first with the starting idea: Cuban Paintings. Next is to try creating Customer Profile for people who would be interested in buying the paintings. As it would be optimal to differentiate from other galleries the customer segment will be spread to first-time art buyers and home decorators. This customer profile will be named as The Decorators. Using the Value Proposition Canvas their lives will be analysed to find out their Jobs, Pains and Gains. Below is the Customer Profile formatted more reader friendly for digital media:

Table 1. Customer profile – The decorators.

Customer Profile
Jobs <ul style="list-style-type: none"> - Find trends - Make home cosy and stylish - Show-off success to friends - Read blogs & magazines - Design home decoration
Pains <ul style="list-style-type: none"> - Art is expensive - Galleries are fancy - Does not know anything about art - Constant need for updates or something new
Gains <ul style="list-style-type: none"> - Unique home - More colourful decoration - Have a story to tell - Get compliments from friends - The home reflex their personality

Analysing our Value Proposition allows to come up with ideas that would solve the customer profile's problems. By assuming that the customer segment would think that art is expensive that can be addressed in the value proposition. There are several ways to relieve the customer's pains, for example, focus on low to medium prices art that would be more accessible to the customer, and/or offer a leasing service to rent the art at a fraction of a cost. For instance, if a painting is priced at 300e, it could be offered as a leasing service for 30 euros per month, and if the customer wants to keep it, there will be a possibility to buy it with the list price minus the leasing costs. In 10 months the client would own the painting fully. This would make it easier for beginners to buy art

without a significant financial commitment. Also, if the customer feels the need to change paintings leasing option would be a valid option.

It was also assumed that the customer segment would think that normal art galleries are fancy and formal, and might not feel welcome as a beginner to enter this kind of venue. This issue could be addressed by creating an informal gallery with more relaxed atmosphere that would welcome customer to come in and explore the art in time without the pressure to buy anything. One solution is to make the place more like a Cuban styled café with comfortable chairs and appropriate music.

In the gains section of customer profile, there were listed a customer need to have a unique colourful home that reflex their (positive) personality traits. The collection will be created keeping that idea on the mind. The gallery will have positive, colourful paintings that reflect good emotions and active life made by local painters in Cuba. The paintings will also have a story of the origin, including coordinates of where acquired and date, and/or story of the painter that would be presented alongside with the art work. There could also be short documents made from the painter to create a deeper connection with the customer and the painting.

Updated Value Proposition Canvas would look like this (attached you can find the original poster version in appendix 3):

Table 2. Value Proposition Canvas v2

Value Proposition	Customer Profile
Products and services <ul style="list-style-type: none"> - Cuban Paintings - Leasing service - Artist stories 	Jobs <ul style="list-style-type: none"> - Find trends - Make home cosy and stylish - Show-off success to friends - Read blogs & magazines - Design home decoration
Pain relievers <ul style="list-style-type: none"> - Low-medium priced paintings - Café style gallery - Leasing is affordable - Leasing makes changing easy 	Pains <ul style="list-style-type: none"> - Art is expensive - Galleries are fancy - Doesn't know anything about art - Constant need for updates or something new
Gain creators <ul style="list-style-type: none"> - Original, unique and colourful paintings - Comes with an story 	Gains <ul style="list-style-type: none"> - Unique home - More colourful decoration - Have a story to tell - Get compliments from friends - The home reflex their personality

From the VPC it can be easily seen that analysing our customer helped to create an appropriate Value Proposition for our business. On the paper it seems problem-solution fit were made but more work is required to validate our results, or to know if it needs to be changed completely. Next phase is designed to analyse the most important assumptions that need to be proven true for the business to have a chance. Before it can be confirmed that the value propositions are really addressing customer needs, it is important to test if the customer profile is accurate. A small scale quantitative customer research survey was conducted based on the Customer Profile. The survey was made by using a five-level Likert scale to help analyse the results in a simple bipolar way. The survey was created with Google Forms and was conducted online with the help of social media to

promote it. The language of the survey was Finnish because it is the most common language in the target group. For the reason that the customer segment was not based on any demographics, these details were not asked. The original questionnaire can be found in appendix 4.

4.2 Results of the survey

According to the results, the customer profile seems to be on the right track. The survey was named “Taide ja kodin sisustaminen” – “*Art and Home decoration*”, to pre-select the persons interested in the subject. There were only 16 respondents but it is enough to show that some of the hypotheses were proven right. We can summarize the results as following:

- All respondents are at least partly interested in home decorating and enjoying home environment
- 75% thinks home design reflects at least partly their personalities
- 56% wants at least little more colourfulness at their homes’
- 94% likes it at least partly when friends compliment their home design
- 73% are at least partly interested learning the story behind painting or artist
- 19% felt not really welcomed at art galleries
- Respondents were mostly interested in art styles from
 - 47% Europe
 - 27% Asia / Finland
 - 20% Latin America / Africa
 - 13% North America
 - 7% Oceania
- 63% thinks paintings in art galleries are expensive
- Respondents were interested to buy art in the price range
 - 25% 0 – 50e
 - 75% 50 – 100e
 - 50% 100 – 200e
 - 44% 200 – 300e
 - 13% 300 – 400e

Full summary can be found in the appendix 5.

The results of the market survey would be in line with the pains and gains from the customer profile. While this short quantitative research does not provide 100% accurate results, it clearly indicates that there are some truths about the assumptions, and encourages moving forward to test the value propositions.

4.3 Validating Value Propositions

Next the customers' interest for the value propositions will be tested. For this project Grav was chosen to create a simple online gallery. Google AdWords was selected to drive the customers to the website and Google Analytics to analyse the results. These tools itself are free and easy to use so they are great methods for fast and cheap testing. Although the tools are free, to drive customers to the website one needs to pay for the clicks the ads receive. The budget has been set to 50e as that is enough to get sufficient amount of visitors to our web site to analyse their behaviour in this stage.

The test was designed as following:

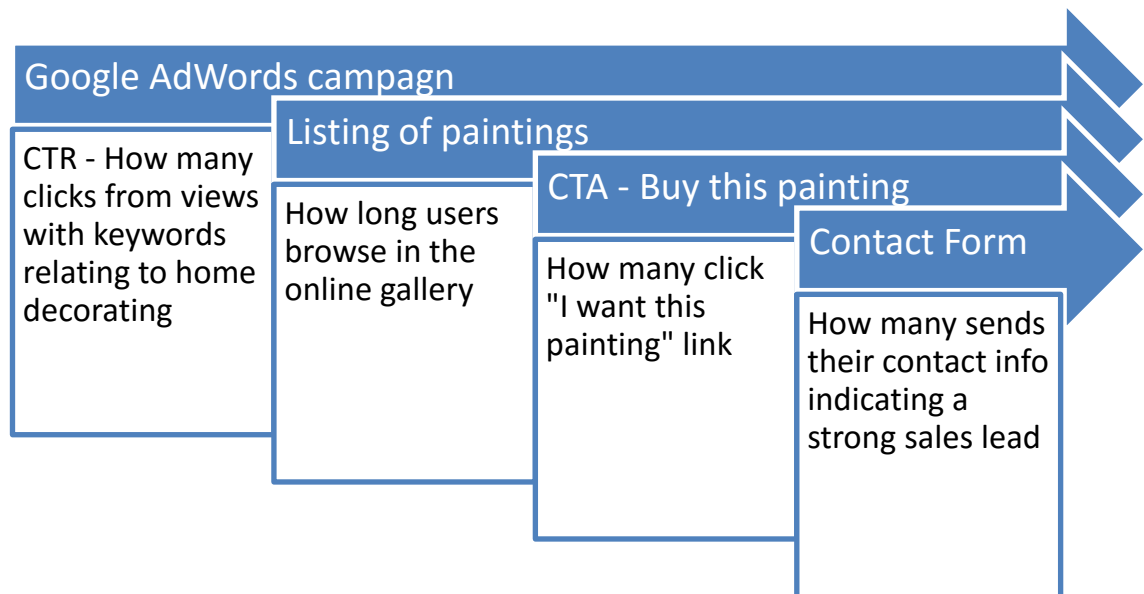


Figure 5. The process description of online marketing research.

The list of keywords used (in Finnish) with CTR results and ads with CTR results can be found in Appendices 6 and 7. Samples of the web site made for this project were added to illustrate better customer's experience of the process description above and can be found in Appendix 8.

In Google AdWords campaign 2 different keyword sets and 3 different ads were used. Below are samples of the visible ads.



Image 3. Google AdWords campaign ad samples.

In the end of the campaign we got 71 clicks (or visitors) that cost 54,42€. In the following table you can see summarized the spread of clicks on 3 different ads. The most important factor to analyse is CTR (Click Through Rate) that is calculated by dividing the number of clicks with impressions. Ads are references to image 3 above.

Table 3. CTR results for different ads.

Ad	Clicks	Impressions	CTR
Sample A	1	1665	0,06%
Sample B	34	3960	0,86%
Sample C	36	7153	0,50%

The keywords used for A and B were more about decorations, home designing and design ideas, while keywords for Ad C were more in line with “galleries” or “paintings” to test different target group’s interest in Cuban art for a reference. The results show that Ad B was the most popular with CTR 0,86% which is 72% better than for Ad C. This would indicate that customer segment for decorative paintings is more interested in Cuban offering than customer’s looking for galleries and art.

Table 4. Top 5 keywords with CTRs

Keyword	Clicks	Impressions	CTR
<i>sisustusblogit</i>	7	532	1,32%
<i>galleria Helsinki</i>	1	79	1,29%
<i>sisustustaulut</i>	25	2427	1,03%
<i>myydään tauluja</i>	6	654	0,92%
<i>sisustusvinkkejä</i>	1	132	0,76%

Above is a table with top five keywords and their CTRs, while the full list can be found in the appendix 7. As the results for individual keywords are analysed it shows that casual keywords for home design blogs and paintings made best results regarding CTR. The second best CTR comes from users searching for galleries in Helsinki, which could imply an interest in having real brick and mortar gallery in the capital region. The sample is quite low as there were only 79 impressions, but a test to research regional interests should be planned in the future.

The next phase is to analyse the results from Google Analytics. In Google Analytics the most interesting statistics for the project are unique page views for different sub-pages. This tells about user behaviour on the web site. The results can be found as appendix 9. In summary, the results show that 42 unique visitors behaved as following:

- 7 out 10 paintings were checked at least once
- “I want this painting” was clicked total of 6 times
- 0 enquiries to buy paintings were sent
- Average session duration were 1 minute 13 seconds
- The cheapest original paintings were viewed the most

The price range of viewed paintings was 90 -130e in comparison to total range up to 290 euros. This would be in line with the findings in the market survey that have been done earlier, where 50% of respondents were ready to invest 50 to 200 euros for an artwork. Clicks for “I want this painting” –link were 14% of the unique visitors and that would be a nice indicator for some true interest for the paintings. However, there were no enquiries through the contact form, but that could also explained by the fact that customers are used for easier shopping experiences, not having to send enquiries to buy a product (comScore 2014). In conclusion, this would indicate that the value propositions are on the right track and there are definite interested in them. The size of the market

still needs to be determined as opening a brick and mortar gallery would require a lot of sales to be profitable but the results recommends for opening a less costly fully functioning online gallery first.

4.4 Generating Business Model Canvas

In the next phase the Business Model Canvas will be built around the value propositions. Considering the results of the ad campaign it is suggested to create the business model around online gallery rather than brick and mortar one. This way it is easier to test and improve the value propositions until the demand for real gallery can be validated. Considering this, the BMC is built as described in the table below. The original poster using Osterwalder's format can be found in appendix 10.

Table 5. BMC modified in table form.

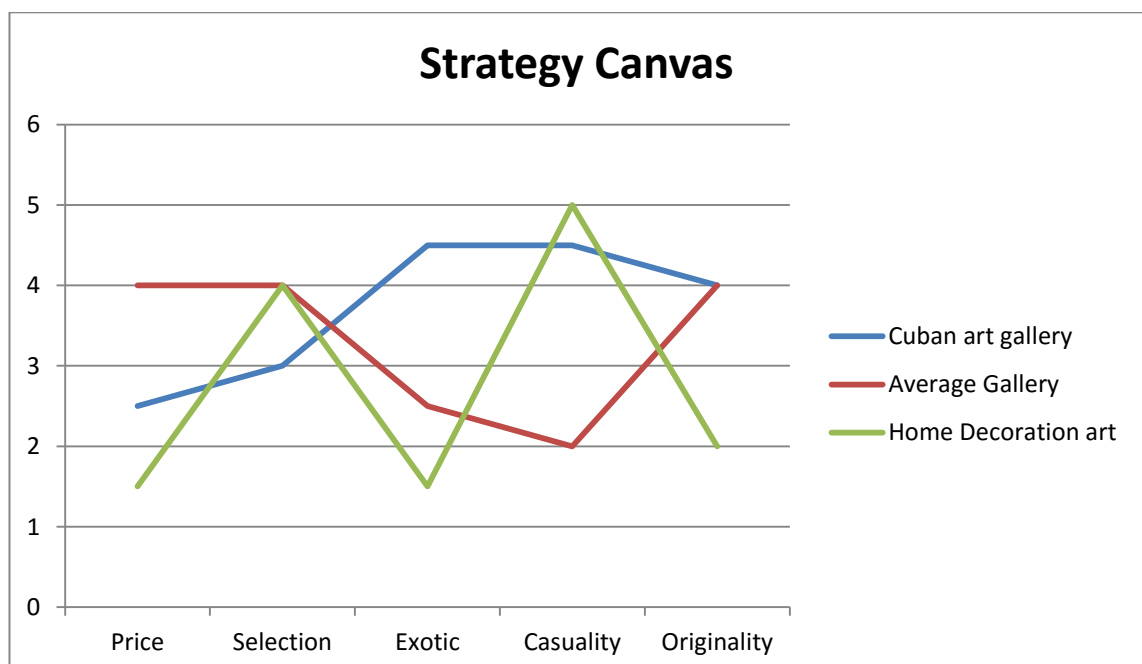
Value Proposition		
To sell low-medium priced colourful Cuban art in Finland to first-time art buyers / home decorators		
The infrastructure	The Finances	The Customer
Key Partners Artists and galleries overseas	Cost Structure Paintings Travelling Online services	Customer Relationship Personal service After sales service
Key Activities Acquiring paintings Creating networks	Revenue Stream Selling paintings Leasing paintings	Customer Segment Home decorators First-time art buyers
Key Resources The collection of paintings		Channels Online gallery Cafes

As the BMC shows acquiring the paintings, and creating networks with artists and galleries would be central focus of the business activities. This relates to the pricing strategy as competitive prices are part of the value propositions. Cuba is at the moment still very poor country and salaries are low (Talley 2014). For this reason, the local artists sell their works with low prices as living costs are also low. Creating direct contacts with artists and artist communities will help to cut down the costs of buying from a middle man. Travelling costs can be significant, therefore building trustworthy relations with local artists and ordering works by mail should be considered as an important activity.

4.5 Strategy Canvas analysis

The competitive advantages to average galleries will be analysed using Strategic Canvas. The analysis of average galleries are based on information gathered during visits to galleries in Tampere region and information collected from galleries' web sites. As you can see from the table below the competitive advantage will come with different pricing strategy, trying to set more casual atmosphere and by being more exotic than other galleries that mostly focus on Finnish or European artists. Compared to stores that sell decorative paintings our advantage is having more originality and more exotic selection. The aim is to find markets between decorative casual art work and original value art.

Table 6. Strategy Canvas analysis.



5 CONCLUSION

This thesis started with an idea of starting a Cuban art gallery. The aim of this project was to create a validated value proposition and business model for the Cuban art gallery while discussing the benefits of Value Proposition Design in business development. The project itself was successful in a way that it provides a great starting point for a Cuban art gallery and reduced some of the risks by using very cheap testing methods that can be copied easily to other projects too. The VPD process gave great insights to customer research potential and how easy testing can be done nowadays, if you are familiar with the most recent online tools available. The scope of the thesis ended up being pretty wide as the whole process required a lot of theoretical knowledge of multiple fronts, including but not limited to market research, Search Engine Marketing and web-design.

If this project would have been done as a classical business plan it would not have been that useful. To really know if the customers want your product or service it is really needed to go in the field and to ask them, offer early version of your idea and learn from the results. The lean method is the best way of doing business in modern world where everything moves quickly.

This thesis shows the benefits of Value Proposition Design instead of doing business plan. This way one can start to do things that would make the business idea go forward or show the weaknesses early on. It is also motivating to see the results of your work in small patches and it encourages you to work more, instead of trying plan for everything without having usually much experience in the field.

5.1 Further research topics

The next step after this thesis is to continue the work of testing and validating new value propositions, customer profiles and business models until Business Model Fit can be found. To do this, the focus should be on understanding the customer better, doing some in-depth interviews and more consumer behaviour research.

In practise, it would be suggested concentrating on making proper online gallery as valid sales channel, and trying to develop it as major platform for selling paintings all over

Europe. Also, there are often empty commercial spaces available in the centre of Tampere, that might open up a possibility for an pop up gallery, to test the idea short term and cost efficiently.

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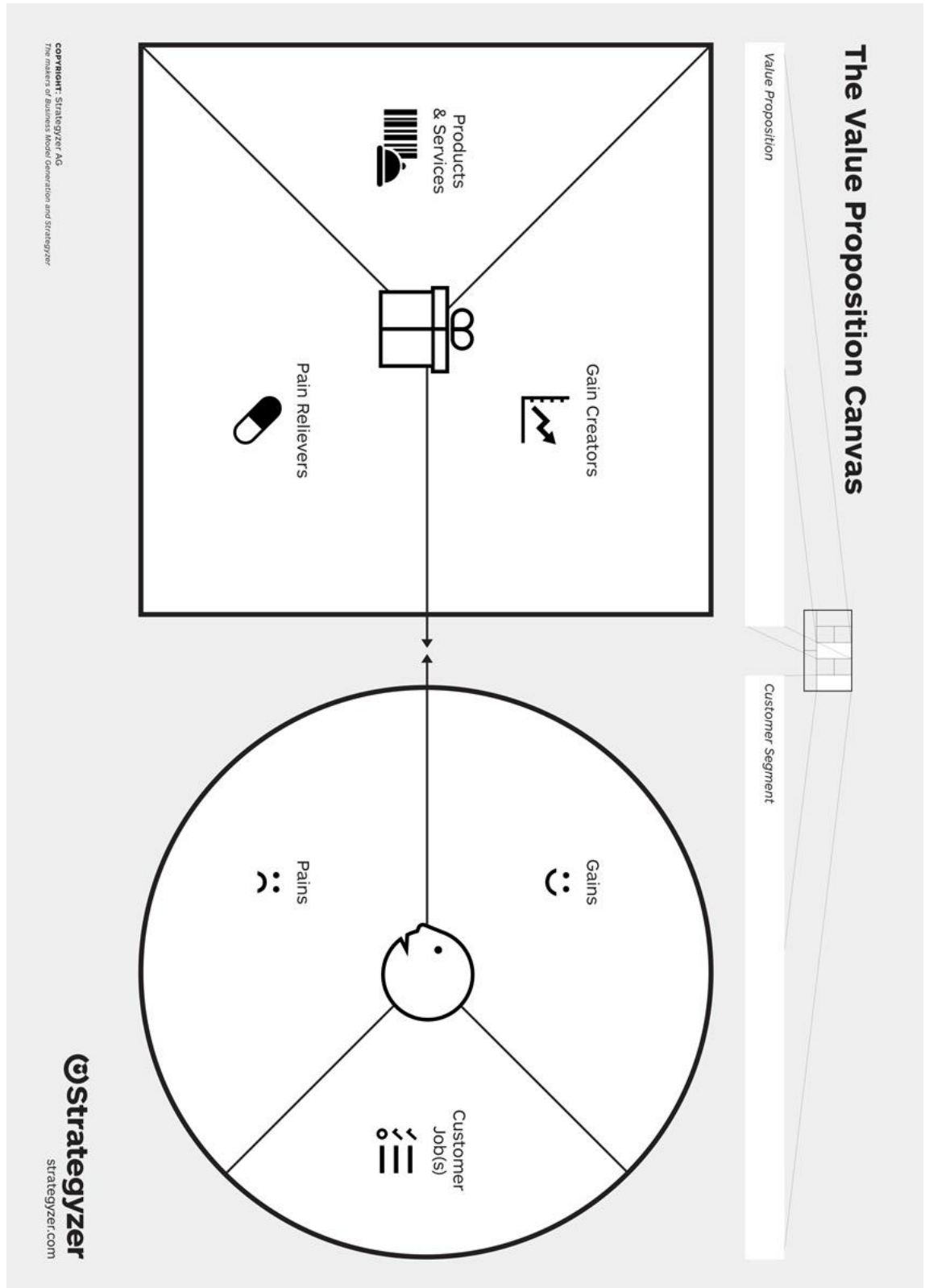
11.6.2014. comScore, Inc. <https://www.comscore.com/Insights/Press-Releases/2014/6/Study-Consumers-Demand-More-Flexibility-When-Shopping-Online> Accessed 3.12.2015

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<http://blogs.wsj.com/briefly/2014/12/17/5-things-you-need-to-know-about-cubas-economy/> Accessed 3.12.2015

APPENDICES

Appendix 1. The Value Proposition Canvas (Osterwalder & co 2014).



Appendix 2. The Business Model Canvas (Osterwalder 2010).

Designed for:

Designed by:

Date:

Version:

The Business Model Canvas

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure	Revenue Streams			

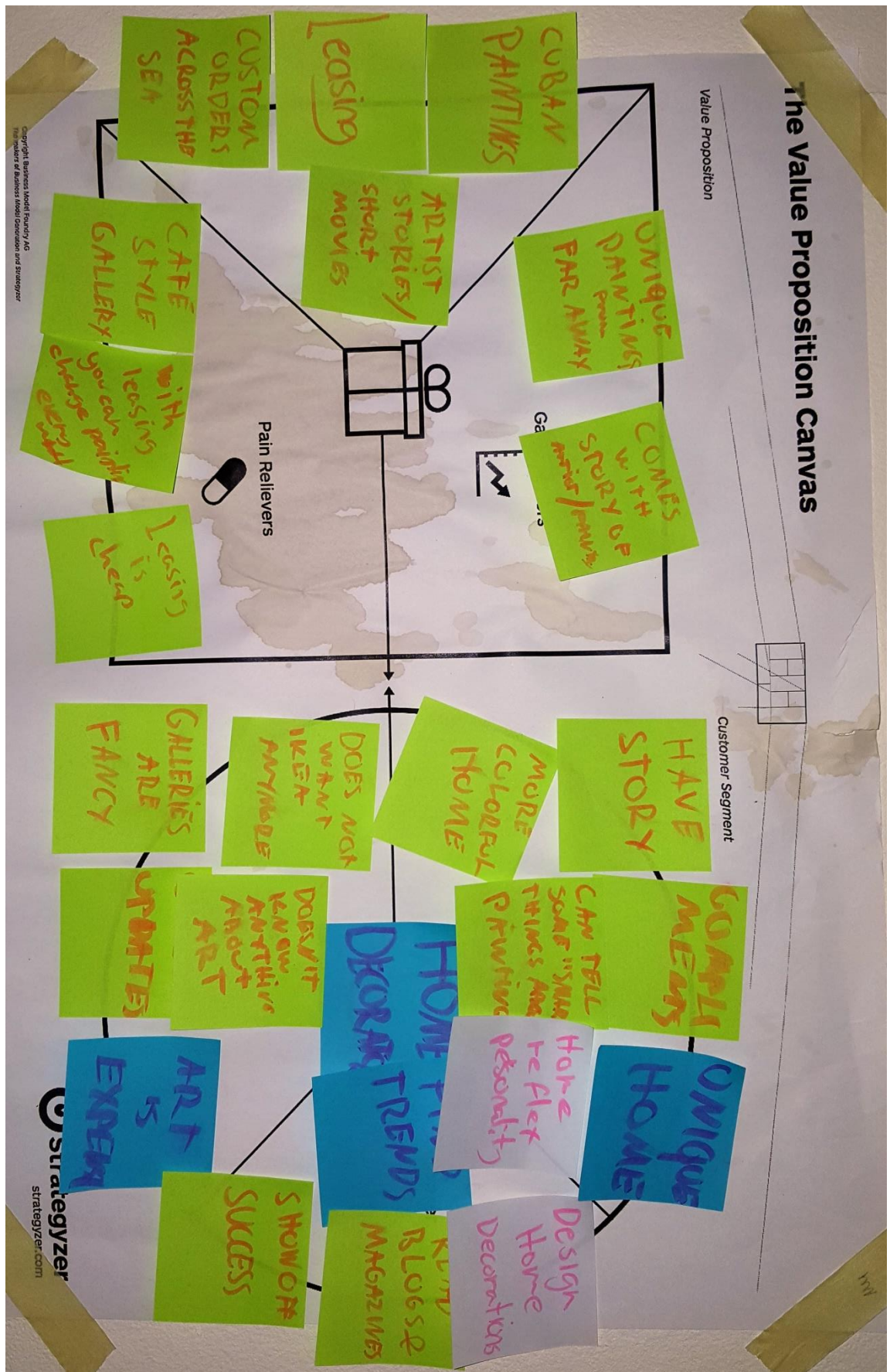
This work is licensed under the Creative Commons Attribution-ShareAlike 3.0 Unported License. To view a copy of this license, visit: <http://creativecommons.org/licenses/by-sa/3.0/> or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA.

DESIGNED BY: Strategyzer AG

The makers of Business Model Generation and Strategyzer

strategyzer.com

Appendix 3. Value Proposition Canvas, original poster.



Appendix 4. The Customer research questionnaire (2 pages).



Taide ja kodin sisustaminen

Kiitos osallistumisestasi!

Vastaa alla oleviin kysymyksiin valitsemalla sopivin vaihtoehto.

Kaikki vastaukset tallennetaan nimettöminä, ilman mitään tunnistetietoja.

***Pakollinen**

Pidän kodin sisustamisesta *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Kodin viihtyvyys on minulle tärkeää *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Kotini sisustus kuvaa persoonallisuuttani *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Haluaisin lisää väriä kotini sisustukseen *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Pidän siitä, että ystäväni kehuvat kotini sisustusta *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Tunnen itseni tervetulleeksi taidegallerioihin *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Olisin kiinnostunut tietämään taulun tai taitelijan tarinan *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Olisin kiinnostunut eniten taiteesta, jonka tyyli on peräisin

Voit valita useampia

- ☐ Suomesta
- ☐ Euroopasta
- ☐ Aasiasta
- ☐ Latinalaisesta Amerikasta
- ☐ Pohjois-Amerikasta
- ☐ Afrikasta
- ☐ Oseaniasta (Australia ja Uusi-Seelanti)
- ☐ En osaa sanoa

Taidegallerioiden taulut ovat kalliita *

Valitse sopivin

- ☐ Täysin eri mieltä
- ☐ Osittain eri mieltä
- ☐ En osaa sanoa
- ☐ Osittain samaa mieltä
- ☐ Täysin samaa mieltä

Olisin kiinnostunut ostamaan taidetta, jonka hintaluokka on

Voit valita useampia

- ☐ En ole kiinnostunut ostamaan taidetta
- ☐ 0 - 50e
- ☐ 50 - 100e
- ☐ 100 - 200e
- ☐ 200 - 300e
- ☐ 300 - 400e
- ☐ 400 - 500e
- ☐ 500 - 1000e
- ☐ 1000 - 2000e
- ☐ 2000 - 5000e
- ☐ 5000 -

Lähetä

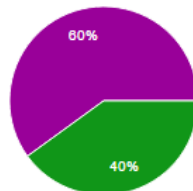
100 %. Sait sen valmiiksi.

16 vastausta

[Näytä kaikki vastaukset](#)
[Julkaise tiedot](#)

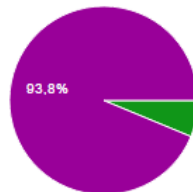
Tiivistelmä

Pidän kodin sisustamisesta



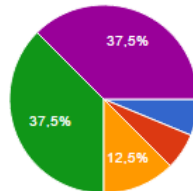
Täysin eri mieltä	0	0 %
Osittain eri mieltä	0	0 %
En osaa sanoa	0	0 %
Osittain samaa mieltä	6	40 %
Täysin samaa mieltä	9	60 %

Kodin viihtyvyys on minulle tärkeää



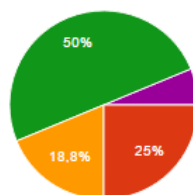
Täysin eri mieltä	0	0 %
Osittain eri mieltä	0	0 %
En osaa sanoa	0	0 %
Osittain samaa mieltä	1	6.3 %
Täysin samaa mieltä	15	93.8 %

Kotini sisustus kuvaa persoonallisuuttani



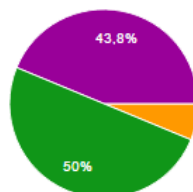
Täysin eri mieltä	1	6.3 %
Osittain eri mieltä	1	6.3 %
En osaa sanoa	2	12.5 %
Osittain samaa mieltä	6	37.5 %
Täysin samaa mieltä	6	37.5 %

Haluaisin lisää väriä kotini sisustukseen



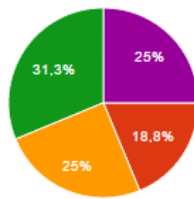
Täysin eri mieltä	0	0 %
Osittain eri mieltä	4	25 %
En osaa sanoa	3	18.8 %
Osittain samaa mieltä	8	50 %
Täysin samaa mieltä	1	6.3 %

Pidän siitä, että ystäväni kehuvat kotini sisustusta



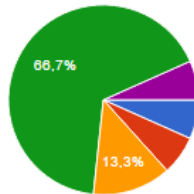
Täysin eri mieltä	0	0 %
Osittain eri mieltä	0	0 %
En osaa sanoa	1	6.3 %
Osittain samaa mieltä	8	50 %
Täysin samaa mieltä	7	43.8 %

Tunnen itseni tervetulleeksi taidegallerioihin



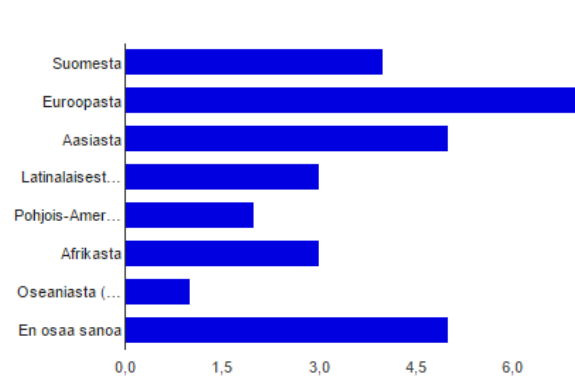
Täysin eri mieltä	0	0 %
Osittain eri mieltä	3	18.8 %
En osaa sanoa	4	25 %
Osittain samaa mieltä	5	31.3 %
Täysin samaa mieltä	4	25 %

Olisin kiinnostunut tietämään taulun tai taitelijan tarinan



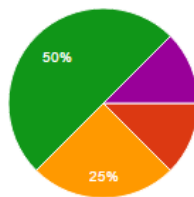
Täysin eri mieltä	1	6.7 %
Osittain eri mieltä	1	6.7 %
En osaa sanoa	2	13.3 %
Osittain samaa mieltä	10	66.7 %
Täysin samaa mieltä	1	6.7 %

Olisin kiinnostunut eniten taiteesta, jonka tyyli on peräisin



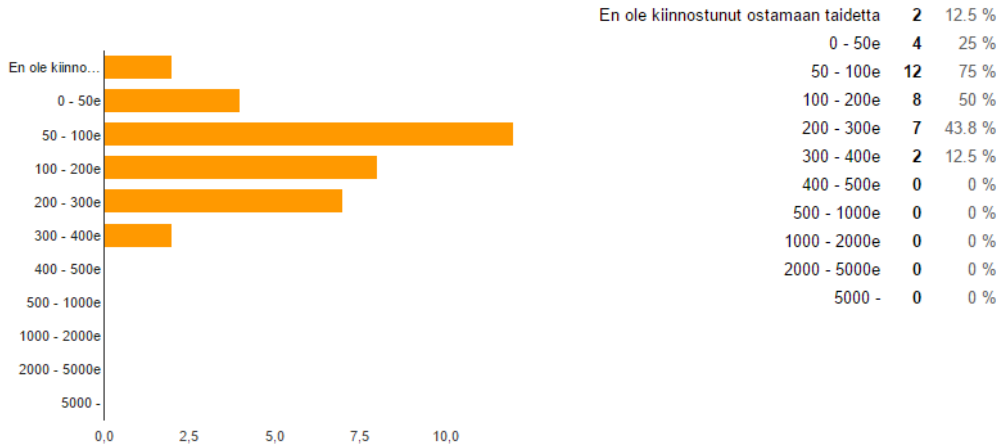
Suomesta	4	26.7 %
Euroopasta	7	46.7 %
Aasiasta	5	33.3 %
Latinalaisesta Amerikasta	3	20 %
Pohjois-Amerikasta	2	13.3 %
Afrikasta	3	20 %
Oseaniasta (Australia ja Uusi-Seelanti)	1	6.7 %
En osaa sanoa	5	33.3 %

Taidegallerioiden taulut ovat kalliita

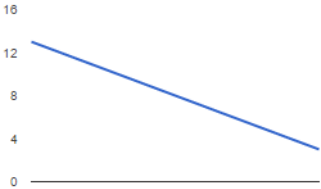


Täysin eri mieltä	0	0 %
Osittain eri mieltä	2	12.5 %
En osaa sanoa	4	25 %
Osittain samaa mieltä	8	50 %
Täysin samaa mieltä	2	12.5 %

Olisin kiinnostunut ostamaan taidetta, jonka hintaluokka on



Päivittäisten vastausten määrä



Appendix 6. Google AdWords campaign keywords and CTR

Keyword	Ad group	Status	Max. CPC	Clicks	Impr.	CTR
sisustusblogit	Cubana	Eligible	auto: €1.00	7	532	1.32%
galleria helsinki	Taidegalleria	Eligible	auto: €1.00	1	79	1.27%
sisustuslautut	Cubana	Eligible	auto: €1.00	25	2,427	1.03%
myydään tauluja	Taidegalleria	Eligible	auto: €1.00	6	654	0.92%
sisustusvinkkejä	Cubana	Eligible	auto: €1.00	1	132	0.76%
taulut	Taidegalleria	Eligible	auto: €1.00	27	5,636	0.48%
taidegalleria	Cubana	Eligible	auto: €1.00	2	559	0.36%
sisustusideoita	Cubana	Eligible	auto: €1.00	0	1,952	0.00%
kodin sisustaminen	Cubana	Eligible	auto: €1.00	0	26	0.00%
kuubalainen taide	Cubana	Low search volume	auto: €1.00	0	0	0.00%
taidegalleria	Taidegalleria	Eligible	auto: €1.00	0	104	0.00%
Total - all but removed keywords				69	12,101	0.57%
Total - all campaign				71	12,848	0.55%

Appendix 7. Google AdWords campaign ads and CTR

Ad	Ad group	Status 	Labels 	% Served 	Campaign type 	Campaign subtype	Clicks 	Impr. 	CTR 
Kuubalaisia Taidetta Tuo väreä syksyn harrauteen Kuubalaisilla tauluilla! www.galleriamacondo.technodrome.fi	Cubana	 Approved	--	13.03%	Search Network with Display Select	Standard	1	1,665	0.06%
Sisustustaulut Kuubasta Tuo väreä syksyn harrauteen Kuubalaisilla tauluilla! www.galleriamacondo.technodrome.fi	Cubana	 Approved	--	30.99%	Search Network with Display Select	Standard	34	3,960	0.86%
Kuubalaisia tauluja Värikkäitä öljyväreitä kohtuulliseen hintaan galleriamacondo.technodrome.fi	Taidegalleria	 Approved	--	55.98%	Search Network with Display Select	Standard	36	7,153	0.50%

Appendix 8. The online gallery customer experience.

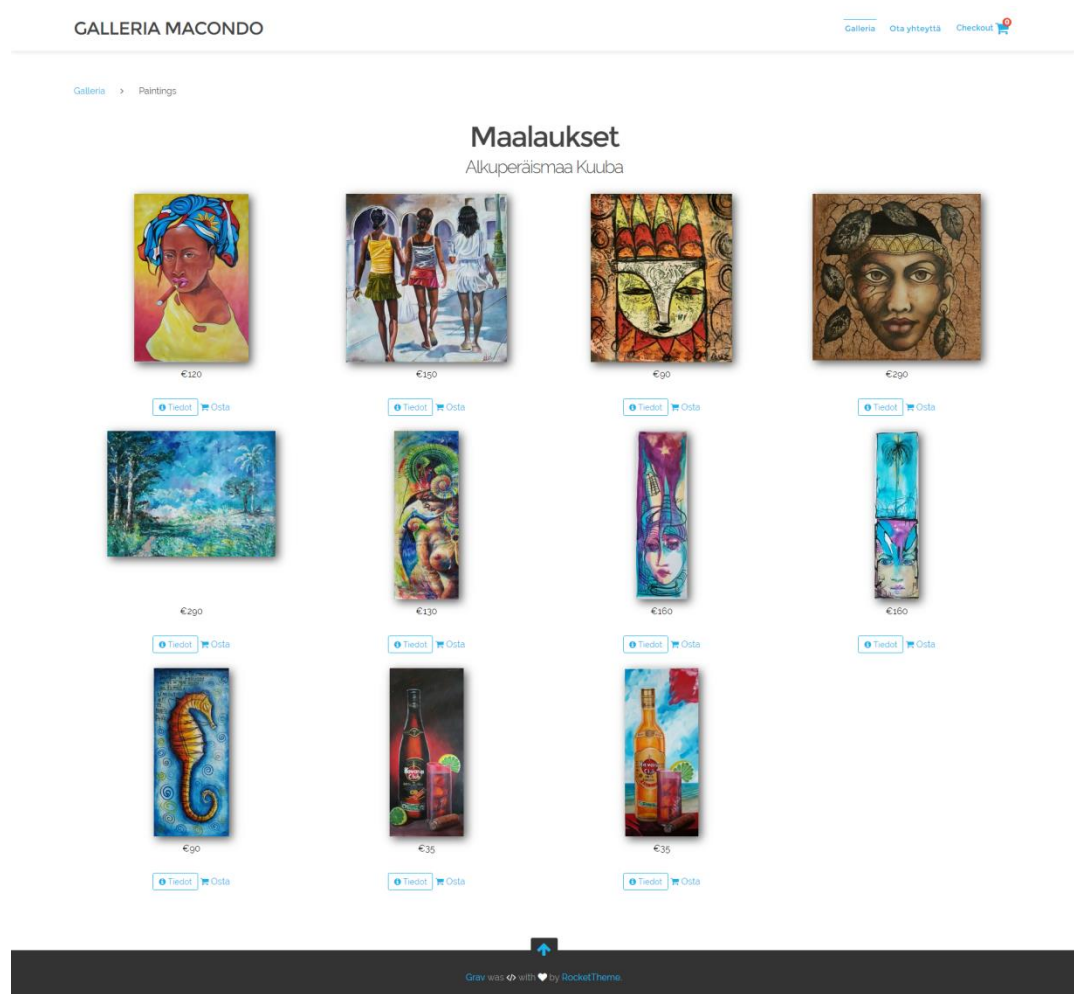
www.technodrome.fi/gallery/intro.php

1 (2)

1. Intro page



2. Listings page




3. Details page

2 (2)

GALLERIA MACONDO

Galleria > Paintings > La Mujer que fumar



La Mujer que fumar

Varadero, Cuba

Tekijä paikallinen katutaiteilija Varaderoista.

Koko 45 x 65cm

€120

Tai vuokraus €12/kk (Jos pidät taulua 10kk omistusoikeus siirtyy sinulle)

[Haluan tämän!](#)

Grav was <3 with <3 by RocketTheme

4. Contact Form page

GALLERIA MACONDO

Galleria Ota yhteyttä

Kiitos mielenkiinnostasi!

Tämä verkkokauppa on ns. proof-of-concept -vaiheessa, eli testaamme onko Kuubalaiselle taiteelle kysyntää maahantuonnin aloittamiseksi ja avataksemme uudentyyppisen gallerian / kahvilan Tampereelle. :)

Jos olet kiinnostunut ostamaan tämän taulun, lähetä meille sähköpostisi alla olevalla lomakkeella ja otamme yhteyttä heti, kun myynti on käynnissä.

Kaikki taulut voidaan toimittaa joko rullattuna tai valmiiksi kehystettynä. Hintoihin lisätään toimituskulut.

Taulun koodi

pt222

Email *

Syötä sähköpostiosoite

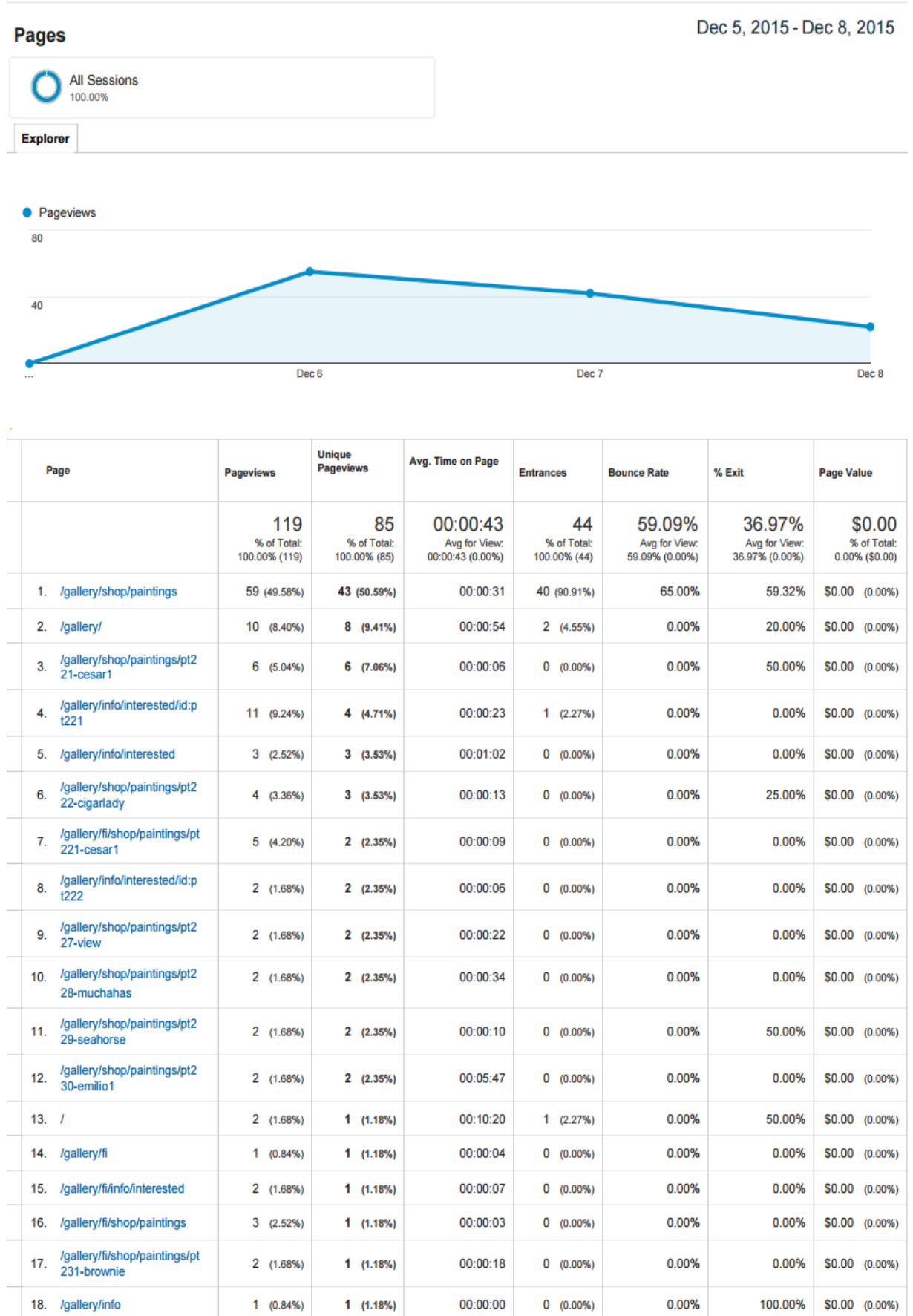
Message

Jos haluat jättää viestin, kirjoita se tähän

[Lähetä](#)

Grav was <3 with <3 by RocketTheme

Appendix 9. Google Analytics, results of Pageviews



Appendix 10. Original Business Model Canvas as a poster.

